

**Metropolitan Transportation Commission**  
**Programming and Allocations Committee**

**April 12, 2006**

**Item Number 2d**

**Resolution No. 3606, Revised**

**Subject:** Regional Project Delivery Policy for SAFETEA STP and CMAQ Funds

**Background:** The region continues to maintain its excellent delivery record for Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) funds during the first years of the Safe, Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA). This outstanding delivery record is due to the successful implementation of the regional Project delivery policy, and the hard work of Caltrans Local Assistance, county Congestion Management Agencies (CMAs), and project sponsors. MTC staff and the Bay Area Partnership have revised the existing regional project delivery policy to address changes in state and federal requirements and therefore maintain this delivery record for the SAFETEA period and assure the maximum amount of federal funds continue to flow into the region.

The revised policy responds to provisions in SAFETEA, increased scrutiny of federal funding deadlines, Caltrans procedural changes, and new FHWA regulations. The revisions are specifically intended to improve management of the limited Obligation Authority (OA) available each fiscal year, meet pre and post-obligation funding deadlines, and facilitate project delivery. The policy also calls for the programming and obligation of funds consistent with the timing and availability of federal Obligation Authority. The increased emphasis on the management of funding in the project delivery process will ensure funds are available to sponsors when their projects are ready to be delivered, and minimize the potential loss of federal funds due to missed funding deadlines.

Over the past six months, the Project Delivery Task Force of the Finance Working Group (FWG) has met to revise the regional Project delivery policy to address the new state and federal requirements for federal funds. The proposed policy was presented to the Finance Working Group on February 1, 2006 and to the Partnership Technical Advisory Committee (PTAC) on February 27, 2006. Both PTAC and its Finance Working Group support the revisions.

**Issues:** None.

**Recommendation:** Refer MTC Resolution No. 3606, revised, to the Commission for approval.

**Attachments:** Executive Director's Memorandum regarding Regional Project Delivery Policy for SAFETEA STP and CMAQ Funds  
- MTC Resolution No. 3606  
- Attachment A to MTC Resolution No. 3606



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## *Memorandum*

TO: Programming and Allocations Committee

DATE: April 12, 2006

FR: Executive Director

RE: Revised Regional Project Delivery Policy for SAFETEA STP and CMAQ Funds

### **Background**

The region has maintained an excellent project delivery record during the six-year period of the federal Transportation Equity Act for the Twenty-First Century (TEA-21). This outstanding delivery record was due to the hard work of Caltrans Local Assistance, the Congestion Management Agencies (CMAs), project sponsors and the regional Project delivery policies developed by MTC and the Bay Area Partnership. In an effort to maintain this delivery record during the Safe, Accountable, Flexible and Efficient Transportation Equity Act (SAFETEA) and maximize the amount of federal funds flowing into the region, MTC and the Bay Area Partnership have revised and updated the existing regional delivery policy to ensure it remains consistent with new state and federal guidance.

The revised policy responds to provisions in SAFETEA, increased scrutiny of federal funding deadlines, recent Caltrans procedural changes, and federal and state policies relating to the timely use of federal funds. The revisions are specifically intended to improve management of the limited Obligation Authority (OA) available each fiscal year, meet pre and post-obligation funding deadlines, and facilitate project delivery. The policy calls for the programming and obligation of funds consistent with the timing and availability of federal OA. The increased emphasis on the management of funding in the project delivery process will ensure funds are available to sponsors when their projects are ready to be delivered, and minimize the potential loss of federal funds due to missed deadlines. Furthermore, the AB1012 deadlines imposed by State law will be met well in advance, and the region will be in a position to accept additional funding that may become available.

Over the past few months, the Project Delivery Task Force of the Bay Area Partnership's Finance Working Group (FWG) has met and discussed revisions to the regional Project delivery policy to reflect new state and federal requirements. The task force consisted of representatives of the CMAs, transit operators, counties, Caltrans, and MTC staff, and convened on November 22, 2005 and January 4, 2006. The revised policy was also discussed at the February Finance Working Group (FWG) and Partnership Technical Advisory Committee (PTAC) meetings, which concurred with the provisions of the revised policy.

### **Benefits of the SAFETEA Project Delivery Policy:**

The following are key benefits of the revised policy:

- The policy continues to strengthen the region's delivery efforts, which has assisted the region and sponsors in delivering to the apportionment and OA levels, as well as advancing and capturing other region's OA.
- Strengthens the region's ability to meet AB 1012 requirements, and incorporates new Caltrans and FHWA post-obligation requirements, thus minimizing the risk of losing federal transportation funding.
- By holding firm and enforcing the funding deadlines, the region has been able to obligate all of its SAFETEA STP and CMAQ OA and apportionment to-date in a timely manner. This demonstrated success in the delivery of regional transportation projects supports subsequent requests for additional federal funding for the region.
- Provides flexibility for the CMAs to swap delayed projects with projects ready to use the funding.
- Establishes standard guidance to be applied for all regional STP and CMAQ programming cycles. A standardized policy makes it easier for project sponsors, MTC staff and Commissioners to implement project delivery strategies consistently among the programmed projects.

### **Significant New and Revised Regional Project Delivery Policies:**

The following are the significant changes to the policy:

- Obligation deadline advanced from June 30<sup>th</sup> of the year programmed in the TIP to May 31. The revised deadline conforms to Caltrans' release of unused local OA on June 1<sup>st</sup> of each year.
- Obligation Request Submittal deadline advanced from April 1 of the year programmed in the TIP to March 1 in response to advanced obligation deadline.
- Funds for construction must be awarded within 9 months of obligation and invoiced and reimbursed against within 12 months of the obligation of construction funds, and invoiced every six months thereafter. Previous award deadline was one year after obligation.
- Funds must be invoiced and reimbursed for each obligated project phase and federal program code at least once every six months following obligation. This is a new provision to conform to new guidance from Caltrans and FHWA.
- Projects must be closed out within 6 months of final invoice. Previous deadline was within one year of last expenditure. This new requirement conforms to new guidance from Caltrans and FHWA.
- Implementing agencies that have projects that have missed these deadlines, regardless of federal fund source, are subject to limitations on future OA for subsequent projects, and restrictions on future programming. MTC will use past delivery as a criteria for future programming.
- Advance Construction Authorization (ACA) funding identified in the annual Obligation Plan has priority for OA over other projects. This new provision is intended to facilitate

the use of ACA as a tool in project delivery. MTC will monitor the use of ACA so as not to impact delivery of other non-ACA projects.

- If a project or project phase will not be ready for obligation in the year programmed, the agency responsible for the project should request to delay the project prior to entering the program year. The agency shall be considered committed to delivering the project (obligating the funds) once the program year becomes the current fiscal year, and the Annual Obligation Plan has been developed for that year.

The intent of this regional project delivery policy is to ensure implementing agencies do not lose any funds due to missing a federal or state funding deadline, while providing maximum flexibility in delivering transportation projects. MTC has established regional deadlines to provide the opportunity for implementing agencies, CMAs, Caltrans, and MTC to solve potential problems and bring the project back on-line in advance of losing funds. Once approved, the provisions of the revised policy will take effect immediately, with the exception of the Obligation and Obligation Submittal deadlines, which will take effect in FY 2006-2007.

**Recommendation:**

Staff recommends that the Programming and Allocations Committee forward MTC Resolution No. 3606, Revised to the Commission for approval.

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Steve Heminger

**Attachment:** Proposed Revised Regional Project Delivery Policy for SAFETEA STP/CMAQ funds

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W.I.: 1512  
Referred by: PAC  
Revised: 04/26/06-C

ABSTRACT

Resolution No. 3606, Revised

This Resolution establishes the regional policy for project delivery for the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA) period and subsequent extensions, for Surface Transportation Program (STP) and Congestion Management and Air Quality Improvement (CMAQ) funds.

This resolution was revised on April 26, 2006 to reflect changes in Caltrans procedures and federal regulations.

Further discussion of this action is contained in MTC Executive Director's Memorandums to the MTC Programming and Allocations Committee dated October 8, 2003, and April 12, 2006

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## **Regional Project Delivery Policy for SAFETEA STP and CMAQ Funding**

### **General Policy**

The region has established deadlines for funding in the regional Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) Program to ensure timely project delivery against state and federal funding deadlines. This resolution establishes a standard policy for enforcing project funding deadlines and project substitutions for these funds during the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA) and subsequent extensions.

STP and CMAQ funds are to be programmed in the Transportation Improvement Program (TIP), up to the apportionment level for that fiscal year, in the fiscal year in which the funds are to be obligated by the Federal Highway Administration (FHWA) or transferred to the Federal Transit Administration (FTA), similar to the programming of the State Transportation Improvement Program (STIP).

The regional STP and CMAQ programs are project specific. Projects are chosen for the program based on eligibility, project merit, and deliverability within the established deadlines. The programmed STP and CMAQ funds are for those projects alone. STP/CMAQ funds may be used for any phase of the project in accordance with Caltrans procedures and federal regulations.

It is the responsibility of the implementing agency at the time of project application and programming to ensure the regional deadlines and provisions of the regional project funding delivery policy can be met. Agencies with difficulty in delivering existing federal-aid projects will have future programming and Obligation Authority (OA) restricted for additional projects until the troubled projects are brought back on schedule, and the agency has demonstrated it can delivery new projects within the required deadlines.

MTC staff will actively monitor and report the obligation status of projects to the Finance Working Group (FWG) of the Bay Area Partnership. The FWG will monitor project funding delivery issues as they arise and make recommendations to the Partnership Technical Advisory Committee (PTAC) as necessary.

The implementing agency or MTC may determine that circumstances may justify changes to the STP and CMAQ programming. These changes, or amendments to these regional programs, are not routine. Proposed changes will be reviewed by MTC staff before any formal actions on program amendments are considered by the Commission. STP/CMAQ funds may be shifted among any phase of the project without the concurrence or involvement of MTC if allowed

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under Caltrans procedures and federal regulations. All changes must follow MTC policies on the Public Involvement Process and Federal Air Quality Procedures and Conformity Protocol. Changes must be consistent with the Regional Transportation Plan (RTP), must not adversely affect the expeditious implementation of Transportation Control Measures (TCMs), must comply with the provisions of Title VI, must not negatively impact the deliverability of other projects in the regional programs, and must not affect the conformity finding in the TIP.

In selecting projects to receive redirected funding, the Commission may use existing lists of projects that did not receive funding in past programming exercises, or direct the funds to agencies with proven on-time project delivery, or could identify other projects with merit to receive the funding, or retain the funding for future programming cycles. Final decisions regarding the reprogramming of available funds will be made by the Commission.

#### **Programming to Apportionment in the year of Obligation**

Federal funds are to be programmed in the TIP, up to the apportionment level available, in the fiscal year in which the funds are to be obligated by FHWA or transferred to FTA. The implementing agency is committed to obligate/transfer the funds by the required obligation deadline once the program year in the TIP becomes the current year, and the annual Obligation Plan has been developed for that year. This will improve the overall management of federal apportionment and Obligation Authority (OA) within the region and help ensure apportionment and OA are available for projects that are programmed in a particular year. It will also assist the region in meeting federal financial constraint requirements. At the end of the federal authorization Act, MTC will reconcile any differences between final apportionments, programmed amounts, obligations and actual OA received.

#### **Advanced Project Selection Process**

Obligations for funds advanced from future years of the TIP will be permitted only upon the availability of surplus OA with Advance Construction Authorization (ACA) projects in the annual obligation plan having first priority for OA in a given year, and current programmed projects that have met the delivery deadlines having second priority for OA in a given year. Advanced obligations will be based on the availability of OA and generally will only be considered after March 1 of each fiscal year. In some years OA may not be available for advancements until after June 1, but the funds must be identified in the annual obligation plan, and the obligation request for the advanced OA should be received by Caltrans prior to June 1.

Agencies requesting advanced funding should be in good standing in meeting deadlines for other federal-aid projects. Restrictions may be placed on the advancement of funds for agencies that are delivery-challenged (continue to have difficulty delivering projects within required deadlines) or have current projects that are in violation of funding deadlines. MTC may consult

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with Caltrans and/or the appropriate CMA to determine whether the advancement of funds is warranted and will not impact the delivery of other projects.

Implementing agencies wishing to advance projects may request Advance Construction Authorization from FHWA, or pre-award authority from FTA, to proceed with the project using local funds until OA becomes available. ACA does not satisfy the obligation deadline requirement.

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**Important Tip:** Caltrans releases unused local OA on June 1 of each year. Projects that do not access their OA through obligation or transfer to FTA by that date are subject to having their funds taken by other regions. This provision allows the advancement of projects after June 1, by using unclaimed OA from other regions.

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### **Advance Construction Authorization (ACA)**

Agencies that cannot meet the regional, state or federal requirements have the option to use Advance Construction Authorization (ACA) rather than seeking an obligation of funds and risk losing the funds due to missing subsequent deadlines. For example if the expenditure of project development funds or award of a construction contract cannot easily be met within the required deadline, the agency may consider using ACA until the project phase is underway and the agency is ready to invoice. ACA may also be considered by agencies that prefer to invoice once – at the end of the project, rather than invoice on the required semi-annual basis.

ACA conversion to full obligation receives priority in the annual obligation plan. MTC will monitor the availability of OA to ensure delivery of other projects is not impacted by ACA conversions. At the end of the federal authorization Act, ACA may be the only option available should the region's OA be fully used.

### **Project Cost Savings/Changes in Scope/Project Failures**

Projects may be completed at a lower cost than anticipated, or have a minor change in scope resulting in a lower project cost, or may not proceed to implementation. In such circumstances, the implementing agency must inform MTC, Caltrans and the appropriate county Congestion Management Agency (CMA) within a timely manner that the funds resulting from these Project reductions will not be used. Federal regulations require that the project proceed to construction within ten years of initial federal authorization of any phase of the project. Furthermore, if a project is canceled, or fails to proceed to construction in ten years, FHWA will de-obligate any remaining funds, and the agency is required to repay any reimbursed funds.

Project funding reductions accrued prior to the established obligation deadline are available for redirection within the program of origin. Savings within the CMA administered programs (such as Local Streets and Roads Rehabilitation) are available for redirection within the program by the



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respective CMA, subject to Commission approval. Project funding reductions within regional competitive programs, such as the Transportation for Livable Communities (TLC) program, or for regional operations projects such as 511, are available for redirection by the Commission. For all programs, projects using the redirected funding reductions prior to the obligation deadline must still obligate the funds within the original deadline.

Minor adjustments in project scope may be made to accommodate final costs, in accordance with Caltrans procedures and federal regulation. However, STP/CMAQ funding for the project is limited to the amount approved by MTC. Once funds are de-obligated there is no guarantee the funds will be available for the project.

Project funding reductions or unused funds realized after the obligation deadline return to MTC. Any STP/CMAQ funds that have been obligated but remain unused will be deobligated and returned to the Commission for reprogramming.

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**Important Tip:** If a project is canceled as a result of the environmental process, the agency does not have to repay reimbursed costs for the environmental activities. However, if a project is canceled after the environmental process is complete, or a project does not proceed to construction within 10 years, the agency is required to repay all reimbursed federal funds.

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### **Annual Obligation Plan**

California Streets and Highway Code 182.6(f) requires the regions to notify Caltrans of the expected use of OA each year. Any local OA, and corresponding apportionment that is not used by the end of the fiscal year will be redistributed by Caltrans to other projects in a manner that ensures the state continues to receive increased obligation authority during the annual OA redistribution. There is no provision in state statute the local apportionment and OA used by the state will be returned.

MTC will prepare an annual Obligation Plan at the beginning of each federal fiscal year based on the funding programmed in the TIP, and the apportionment and OA expected to be available. This plan will be the basis upon which obligations will be made for the year. It is expected that the CMAs and project sponsors with funds programmed in the TIP will assist in the development of the plan by ensuring the TIP is kept up to date, and if necessary, review the plan prior to submittal to Caltrans. Projects listed in the plan that do not receive an obligation are subject to de-programming. Projects to be advanced from future years, or converted from ACA must be included in the plan to receive priority for obligations against available OA.

If a project or project phase will not be ready for obligation in the year programmed, the agency responsible for the project should request to delay the project prior to entering the program fiscal year. The agency shall be considered committed to delivering the project (obligating the funds or

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transferring to FTA) once the program year becomes the current fiscal year, and the annual Obligation Plan has been developed for that year.

In the event that OA is severely limited, such as at the end of a federal authorization act, and there is insufficient OA to obligate all of the projects in the annual obligation plan, restrictions may be placed on funds for agencies that are delivery-challenged (continue to have difficulty delivering projects within required deadlines) or have current projects that are in violation of funding deadlines.

### **Specific Policy Provisions**

Projects selected to receive STP or CMAQ funding must have a demonstrated ability to use the funds within the established regional, state and federal deadlines. This criterion will be used for selecting projects for funding, and for placement of funding in a particular year of the TIP. Agencies with a continued history of being delivery-challenged and continue to miss funding delivery deadlines will have restrictions placed on future obligations and programming.

It is the responsibility of the implementing agency to ensure the funds can be used within the established regional, state and federal deadlines and that the provisions of the regional funding delivery policy can be met. It is also the responsibility of the implementing agency to continuously monitor the progress of the programmed funds against regional, state and federal deadlines, and to report any potential difficulties in meeting these deadlines, to MTC, Caltrans and the appropriate county CMA within a timely manner, to seek solutions to potential problems well in advance of potential delivery failure or loss of funding.

Specific provisions of the Regional Project Funding-Delivery Policy are as follow:

- **Field Reviews**

Implementing agencies are required to request a field review from Caltrans Local Assistance within 12 months of approval of the project in the TIP, but no less than 12 months prior to the obligation deadline of construction funds. This policy also applies to federal-aid projects in the STIP. The requirement does not apply to projects for which a field review would not be applicable, such as FTA transfers, regional operations projects and planning activities. Failure for an implementing agency to make a good-faith effort in requesting and scheduling a field review from Caltrans Local Assistance within twelve months of programming into the TIP could result in the funding being reprogrammed and restrictions on future programming and obligations. Completed field review forms must be submitted to Caltrans in accordance with Caltrans Local Assistance procedures.

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- **Environmental Submittal Deadline**

Implementing agencies are required to submit a complete environmental package to Caltrans for all projects (except those determined Programmatic Categorical Exclusion as determined by Caltrans at the field review), twelve months prior to the obligation deadline for right of way or construction funds. This policy creates a more realistic time frame for projects to progress from the field review through the environmental and design process, to the right of way and construction phase. If the environmental process, as determined at the field review, will take longer than 12 months before obligation, the implementing agency is responsible for delivering the complete environmental submittal in a timely manner. Failure to comply with this provision could result in the funding being reprogrammed. The requirement does not apply to FTA transfers, regional operations projects or planning activities.

- **Disadvantaged Business Enterprise (DBE)**

Obligation of federal funds may not occur for contracted activities (any combination of environmental/ design/ construction/ procurement activities performed outside the agency) until and unless an agency has an approved DBE program and methodology for the current federal fiscal year. Therefore, agencies with federal funds programmed in the TIP must have a current approved DBE Program and annual methodology (if applicable) in place prior to the fiscal year the federal funds are programmed in the TIP.

STP/CMAQ funding for agencies without approved DBE methodology for the current year are subject to redirection to other projects after March 1. Agencies should begin the DBE process no later than January 1 to meet the March 1 deadline. Projects advanced under the Expedited Project Selection Process (EPSP) must have an approved DBE program and annual methodology for the current year (if applicable) prior to the advancement of funds.

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**Important Tip:** An agency DBE plan is required before the obligation of federal funds. Furthermore, an annual DBE methodology must be approved prior to the obligation of federal funds for services to be contracted out (such as environmental/ design/ construction/ procurement activities performed outside the agency). An annual DBE methodology may not be required if the activities (such as environmental or design) are to be performed in-house using internal staff resources. It generally takes a minimum of 90 days (including a minimum 45-day public comment period) to have an annual DBE methodology approved. Due to the complexities of the DBE requirements, agencies should contact Caltrans Local Assistance to determine whether an annual DBE methodology is required. If a DBE methodology is required, agencies are encouraged to begin the process by June of the preceding federal fiscal year so the process may be complete by the beginning of the federal fiscal year in October.

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- **Obligation/Submittal Deadline**

Projects selected to receive STP and CMAQ funding must demonstrate the ability to obligate programmed funds by the established obligation deadline. This criterion will be used for selecting projects for funding, and for placement in a particular year of the TIP. It is the responsibility of the implementing agency to ensure the deadlines can be met.

In order to ensure funds are obligated or transferred to FTA in a timely manner, the implementing agency is required to deliver a complete funding obligation / FTA Transfer request package to Caltrans Local Assistance by March 1 of the year the funds are listed in the TIP. Projects with complete packages delivered by March 1 of the programmed year will have priority for available OA, after ACA conversions that are included in the Obligation Plan. If the project is delivered after March 1 of the programmed year, the funds will not be the highest priority for obligation in the event of OA limitations, and will compete for limited OA with projects advanced from future years. Funding for which an obligation/ FTA transfer request is submitted after the March 1 deadline will lose its priority for OA, and be viewed as subject to reprogramming.

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**Important Tip:** Once a federal fiscal year (October 1 through September 30) has begun, and the Obligation Plan for that year developed, the agency is committed to obligating/transferring the funds by the required obligation deadline for that fiscal year. Funds that do not meet the obligation deadline are subject to de-programming by MTC.

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Within the CMA administered programs, such as the Local Streets and Roads Rehabilitation program, the CMAs may adjust delivery, consistent with the program eligibility requirements, up until March 1 of the programmed year, swapping funds to ready-to-go projects in order to utilize all of the programming capacity. The substituted project(s) must still obligate the funds within the original funding deadline.

For funds programmed through regional competitive programs, such as the regional Transportation for Livable Communities (TLC) program, or for regional operations projects, such as 511, or for planning activities, such as the CMA planning activities, the Commission has discretion to redirect funds from delayed or failed projects.

STP and CMAQ funds are subject to an obligation/FTA transfer deadline of May 31 of the fiscal year the funds are programmed in the TIP. Implementing agencies are required to submit the completed request for obligation or FTA transfer to Caltrans Local Assistance by March 1 of the fiscal year the funds are programmed in the TIP, and receive an obligation/ FTA transfer of the funds by May 31 of the fiscal year programmed in the TIP. For example, projects programmed in FY 2007-08 of the TIP have an obligation/FTA transfer request submittal deadline (to Caltrans) of March 1, 2008 and an obligation/FTA transfer deadline of

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May 31, 2008. Projects programmed in FY 2008-09 have an obligation request submittal deadline (to Caltrans) of March 1, 2009 and an obligation/FTA transfer deadline of May 31, 2009. No extensions will be granted to the obligation deadline.

- Submittal Deadline: March 1 of the fiscal year programmed in the TIP. The Implementing Agency is required to submit a complete obligation/transfer package to Caltrans (3 months prior to the Obligation Deadline).
- Obligation Deadline: May 31 of the fiscal year programmed in the TIP. No extensions will be granted to the obligation deadline.

**March 1** - Regional submittal deadline. Complete package submittals, and ACA conversion requests for projects in the annual obligation plan received by March 1 of the fiscal year the funds are programmed in the TIP will receive priority for obligations against available OA.

**March 1 – May 31** - Projects submitted during this timeframe are subject to deprogramming. If OA is still available, these projects may receive OA if obligated by May 31. If OA is limited, these projects will compete for OA with projects advanced from future years on a first come-first serve basis. Projects with funds to be advanced from future years must request the advance prior to May 31, in order to secure the funds within that federal fiscal year.

**May 31** - Regional obligation deadline. Funds not obligated (or transferred to FTA) by May 31 of the fiscal year programmed in the TIP will be returned to MTC for reprogramming. No extensions of this deadline will be granted. Projects seeking advanced obligations against funds from future years should request the advance prior to May 31 in order to secure the funds within that federal fiscal year.

The obligation deadline may not be extended. The funds must be obligated by the established deadline or they will be de-programmed from the project and redirected by the Commission to a project that can use the funds in a timely manner.

Note: Advance Construction Authorization does not satisfy the regional obligation deadline requirement, except under certain circumstances such as when Caltrans uses ACA for state projects.

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**Important Tip:** In some years OA for the region may be severely limited, especially toward the end of the federal Authorization Act. When OA is limited, ACA conversions identified in the annual obligation plan and submitted before the deadline of March 1 have priority, followed by other projects in the annual obligation plan submitted before the deadline of March 1. Projects in the obligation plan but submitted after March 1 may have OA (and thus the obligation of funds) restricted and may have to wait until OA becomes available – either after June 1, when unused OA is released from other regions, or in the following federal fiscal year when Congress approves additional OA. Obligation requests submitted after the March 1 deadline have no priority for OA for that year. Agencies with projects not in good standing with regards to the deadlines of this policy may have OA restricted.

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- **Program Supplement Agreement (PSA) Deadline**

The implementing agency must execute and return the Program Supplement Agreement (PSA) to Caltrans in accordance with Caltrans Local Assistance procedures. The agency must contact Caltrans if the PSA is not received from Caltrans within 60 days of the obligation. This requirement does not apply to FTA transfers.

Agencies that do not execute and return the PSA to Caltrans within the required Caltrans deadline will be unable to obtain future approvals for any projects, including obligation and payments, until all PSAs for that agency, regardless of fund source, meet the PSA execution requirement. Funds for projects that do not have an executed PSA within the required Caltrans deadline are subject to deobligation by Caltrans.

- **Construction Advertisement / Award Deadline**

For the Construction (CON) phase, the construction/equipment purchase contract must be advertised within 6 months of obligation and awarded within 9 months of obligation. However, regardless of the advertisement and award deadlines, agencies must still meet the invoicing deadline for construction funds. Failure to advertise and award a contract in a timely manner could result in missing the subsequent invoicing and reimbursement deadline, resulting in the loss of funding.

Agencies must submit the notice of award to Caltrans in accordance with Caltrans Local Assistance procedures, with a copy also submitted to the applicable CMA. Agencies with projects that do not meet these award deadlines will have future programming and OA restricted until their projects are brought into compliance.

For FTA projects, funds must be approved/awarded in an FTA Grant within one federal fiscal year following the federal fiscal year in which the funds were transferred to FTA.

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**Important Tip:** Agencies may want to use the flexibility provided through Advance Construction Authorization (ACA) if it will be difficult meeting the deadlines. Agencies may consider proceeding with ACA and converting to a full obligation at time of award when project costs and schedules are more defined or when the agency is ready to invoice.

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- **Invoicing Deadline**

Funds for each federally funded phase and for each federal program code must be invoiced against at least once every six months.

Funds for each federally funded (Environmental (ENV/ PA&ED), Preliminary Engineering (PE), Final Design (PS&E) and Right of Way (R/W) phase and for each federal program code within these phases, must be invoiced against at least once every six months following obligation. Funds that are not invoiced at least once every 12 months are subject to de-obligation. There is no guarantee that funds will be available to the project once de-obligated.

Funds for the Construction (CON) phase, and for each federal program code within the construction phase, must be invoiced and reimbursed against at least once within 12 months of the obligation, and then invoiced at least once every 6-months there after. Funds that are not invoiced and reimbursed at least once every 12 months are subject to de-obligation by FHWA. There is no guarantee that funds will be available to the project once de-obligated.

If a project does not have eligible expenses within a 6-month period, the agency must provide a written explanation to Caltrans Local Assistance for that six-month period and submit an invoice as soon as practicable to avoid missing the 12-month invoicing and reimbursement deadline.

Agencies with projects that have not been invoiced against and reimbursed within a 12-month period, regardless of federal fund source, will have restrictions placed on future programming and OA until the project is properly invoiced. Funds that are not invoiced and reimbursed against at least once every 12 months are subject to de-obligation by FHWA.

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**Important Tip:** In accordance with Caltrans procedures, federal funds must be invoiced against for each obligated phase and each federal program code at least once every six months. Funds that are not invoiced and reimbursed at least once every 12 months are subject to de-obligation by FHWA. There is no guarantee the funds will be available to the project once de-obligated. Agencies that prefer to submit one final billing rather than semi-annual progress billings can use ACA to proceed with the project, then convert to a full obligation prior to project completion. ACA does not meet the obligation deadline, but ACA conversions do receive priority in the annual obligation plan.

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- **Inactive Projects**

Most projects can be completed well within the state's deadline for funding liquidation or FHWA's ten-year proceed-to-construction requirement. Yet it is viewed negatively by both FHWA and the California Department of Finance for projects to remain inactive for more than twelve months. It is expected that funds for completed phases will be invoiced immediately for the phase, and projects will be closed out within six months of the final project invoice. Funds that are not invoiced and reimbursed at least once every 12 months are subject to de-obligation by FHWA. There is no guarantee the funds will be available to the project once de-obligated.

- **Liquidation/Reimbursement Deadline**

Funds must be liquidated (fully expended, invoiced and reimbursed) within six years of obligation.

California Government Codes 16304.1 and 16304.3 places additional restrictions on the liquidation of federal funds. Generally, federal funds must be liquidated (fully expended, invoiced and reimbursed) within 6 state fiscal years following the fiscal year in which the funds were appropriated. Funds that miss the state's liquidation/ reimbursement deadline will lose State Budget Authority and will be de-obligated if not reappropriated by the State Legislature, or extended (for one year) in a Cooperative Work Agreement (CWA) with the California Department of Finance. This requirement does not apply to FTA transfers.

- **Project Completion /Close-Out Deadline**

Implementing Agencies must fully expend federal funds on a phase one year prior to the estimated completion date provided to Caltrans.

At the time of obligation, the implementing agency must provide Caltrans with an estimated completion date for that project phase. Any unreimbursed federal funds remaining on the phase after the estimated completion date has passed, is subject to project funding adjustments by FHWA.

Projects must be properly closed out within six months of final project invoice. Projects must proceed to construction within 10 years of federal authorization of the initial phase.

Federal regulations require that federally funded projects proceed to construction within 10 years of initial federal authorization of any phase of the project. Furthermore, if a project is canceled, or fails to proceed to construction in 10 years, FHWA will de-obligate any remaining funds, and the agency is required to repay any reimbursed funds. If a project is canceled as a result of the environmental process, the agency does not have to repay



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reimbursed costs for the environmental activities. However, if a project is canceled after the environmental process is complete, or a project does not proceed to construction within 10 years, the agency is required to repay all reimbursed federal funds.

Agencies with projects that have not been closed out within 6 months of final invoice will have future programming and OA restricted until the project is closed out or brought back to good standing by providing written explanation to Caltrans Local Assistance, the applicable CMA and MTC.

### **Consequences of Missed Deadlines**

It is the responsibility of the implementing agency to ensure the funds can be used within the established regional, state and federal deadlines and that the provisions of the regional funding delivery policy, and other state and federal requirements, can be met. It is also the responsibility of the implementing agency to continuously monitor the progress of the project against these regional, state and federal funding deadlines and report any potential difficulties in meeting these deadlines to MTC, Caltrans and the appropriate county CMA within a timely manner. MTC, Caltrans and the CMAs are available to assist the implementing agencies in meeting the funding deadlines, and may be able to find solutions that avoid the loss of funds.

Agencies that do not meet these funding deadlines risk the loss of federal funds. To minimize such losses to the region, and encourage timely project delivery, agencies that continue to be delivery-challenged and/or have current projects that have missed the funding deadlines will have future obligations, programming or requests for advancement of funds restricted until their projects are brought back into good standing. Projects are selected to receive STP or CMAQ funding based on the implementing agency's demonstrated ability to deliver the projects within the funding deadlines. An agency's proven delivery record will be used for selecting projects for funding and placement in a particular year of the TIP, and for receipt of OA.

### **Regional Project Funding Delivery Policy Intent**

The intent of this regional funding delivery policy is to ensure implementing agencies do not lose any funds due to missing a federal or state funding deadline, while providing maximum flexibility in delivering transportation projects. It is also intended to assist the region in managing Obligation Authority, and in meeting federal financial constraint requirements. MTC has purposefully established regional deadlines in addition to state and federal funding deadlines to provide the opportunity for implementing agencies, the CMAs, Caltrans, and MTC to solve potential project delivery issues and bring projects back on-line in advance of losing funds due to a missed funding deadline. The policy is also intended to assist in project delivery, and ensure funds are used in a timely manner.

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Although the policy specifically addresses the regional STP and CMAQ funds managed by MTC, the state and federal deadlines cited apply to all federal-aid funds administered by the state (with few exceptions such as Congressionally mandated projects including Earmarks). Implementing agencies should pay close attention to the deadlines of other state and federal funds on their projects so as not to miss any other applicable funding deadlines.

This regional Project delivery policy was developed by the San Francisco Bay Area's Partnership, through the Project Delivery Task Force of the Bay Area Partnership's Finance Working Group (FWG), consisting of representatives of Caltrans, the county Congestion Management Agencies (CMAs), transit operators, counties, and MTC staff.